

Message Text

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ORIGIN ARA-10

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DRAFTED BY ARA/BC/B:MWCOTTER:EO

APPROVED BY ARA/BC:JEKARKASHIAN

NSC-IG/ARA:DBLACK (DRAFT)

NSC-IG/ARA:AWILLIAMS (DRAFT)

NSC-IG/ARA:RBLOOMFIELD

ARA-LA/BC/B:RLNICHOLSON

DOD/ISA:EOJONES (DRAFT)

LA/DP:LHARRISON (DRAFT)

S/S-RKUCHEL

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R 200012Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

C O N F I D E N T I A L STATE 144903

E.O. 11652:GDS

TAGS: PFOR, EAID, BL

SUBJECT: BOLIVIA CASP: PRE-IG REVIEW

THE PRE-IG MET ON JUNE 6 TO REVIEW THE BOLIVIA CASP SUBMISSION. THE FOLLOWING SUBSTANTIVE MATTERS WERE DISCUSSED AND DECISIONS REACHED.

1. ISSUE RESOLUTION: ISSUE NO. 1. THERE WAS A CONSENSUS IN THE PRE-IG THAT ISSUE NO. 1, AS STATED AND DISCUSSED IN THE CASP SUBMISSION, RAISED QUESTIONS OUTSIDE THE BILATERAL FOCUS OF THE CASP PROCESS. THE PRE-IG MEMBERS AGREED THAT
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THE QUESTION OF USG RESPONSE TO GOB PRESSURES SEEKING OUR

SUPPORT FOR BOLIVIA'S ACCESS TO THE SEA, WHICH THE PRE-IG IDENTIFIED AS THE BASIC QUESTION OF ISSUE NO. 1, WAS A VALID ISSUE FOR RESOLUTION BY THE IG. ISSUE NO. 1 WAS THEREFORE REDRAFTED BY THE PRE-IG TO FOCUS MORE SPECIFICALLY ON THE QUESTION: "WHAT ROLE, IF ANY, SHOULD THE USG PLAY IN ASSISTING BOLIVIA TO SEEK ACCESS TO THE PACIFIC OCEAN?" . THE TEXT OF ISSUE NO. 1 AS REDRAFTED AND CHANGES IN THE DISCUSSION OF "U.S. INTEREST: WORLD ORDER" NECESSITATED BY THAT REDRAFTING ARE BEING POUCHED TO THE EMBASSY. THE PRE-IG WOULD APPRECIATE COUNTRY TEAM COMMENT ON THE REDRAFTED ISSUE NO LATER THAN COB JUNE 26.

2. ISSUE RESOLUTION: ISSUE NO. 2. THERE WAS CONSENSUS AMONG PRE-IG MEMBERS THAT ISSUE NO. 2 WAS BASICALLY MOOTED BY LAST YEAR'S IG WHICH DECIDED TO COMPLETE THE TIPO COMMITMENT WITH MAP GRANT FUNDS, PHASING OUT MAP MATERIEL AT THAT TIME WITH A CONCOMITANT INCREASE IN FMS CREDIT. THE PRE-IG, THEREFORE, DECIDED TO RECOMMEND DELETION OF ISSUE NO. 2 FROM THE CASP.

3. MILITARY ASSISTANCE LEVELS. AFTER DISPOSING OF THE ISSUE OF THE NATURE OF OUR MILITARY ASSISTANCE PROGRAM, THE PRE-IG DISCUSSED THE SPECIFIC LEVELS OF THAT PROGRAM DURING THE CASP TIME FRAME. THERE WAS UNANIMITY WITHIN THE PRE-IG THAT THE TIPO COMMITMENT BE FULFILLED AS EXPEDITIOUSLY AS POSSIBLE AND THAT MAP MATERIEL BE TERMINATED FOLLOWING COMPLETION OF THAT COMMITMENT, BUT NO LATER THAN FY 77. IN ORDER TO FACILITATE THE PHASE-OVER TO FMS CREDIT, AND RECOGNIZING THE DESIRE EXPRESSED BY THE GOB EARLIER THIS YEAR FOR A LARGER FMS CREDIT PROGRAM, THE PRE-IG RECOMMENDED APPROVING FMS CREDIT LEVELS OF \$8 MILLION IN FY 76 AND \$12 MILLION IN FY 77.

4. THE PRE-IG WAS UNABLE TO AGREE UPON LEVELS OF MAP MATERIEL FUNDING FOR THE CASP TIME FRAME DUE TO A LACK OF SPECIFIC DATA ON THE SIZE AND NATURE OF THE REMAINING TIPO COMMITMENT. THE PRE-IG DID HAVE THE BENEFIT OF MILGP MSG. DTG 051940 MAY 75 ON THIS SUBJECT BUT WAS UNABLE TO DETERMINE EXACT COSTS ON THE BASIS OF THAT MESSAGE. ACTION REQUESTED: THAT THE COUNTRY TEAM DETERMINE THE CONFIDENTIAL

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MINIMUM COST, ON A LINE ITEM BY LINE ITEM BASIS, NECESSARY TO COMPLETE ALL OBLIGATIONS OF FUNDS NECESSARY TO FULFILL THE TIPO COMMITMENT WITHIN THE FY 76-77 CASP TIME FRAME. IN THIS CONNECTION, IT IS DOD'S INTENTION THAT THE COMPLETION OF THE TIPO COMMITMENT WILL TERMINATE THE MAP MATERIEL PROGRAM FOR BOLIVIA. DETERMINATION OF MAP MATERIEL LEVELS DURING THE CASP TIME FRAME WILL BE BASED ON THOSE COUNTRY TEAM SUBMISSIONS.

5. MANNING LEVELS. PRE-IG AGREEMENT ON IAGS MANNING AND FUNDING LEVELS WAS PREVENTED BY THE ONGOING NEGOTIATION OF THAT LEVEL BETWEEN THE EMBASSY AND DMA (LA PAZ 1743 AND STATE 114736). THE PRE-IG TOOK NOTE OF THE MILGP MANNING LEVEL RECOMMENDED BY THE COUNTRY TEAM. WHILE THE CONSENSUS SUPPORTED LIMITING MILGP STRENGTH TO 31 U.S. PERSONNEL PENDING COMPLETION OF A DOD PERSONNEL AUDIT, THE COUNTRY TEAM IS INVITED TO SUBMIT FURTHER JUSTIFICATION FOR ITS RECOMMENDED LEVEL OF 35. WITH REGARD TO THE DAO REDUCTION IN FY 77, THE PRE-IG TOOK NOTE OF THE FACT THAT DOD HAS NO KNOWLEDGE OF THE PROPOSAL TO REDUCE THE DAO STAFF FROM 5 TO 4 AND THEREFORE REQUESTS COUNTRY TEAM JUSTIFICATION OF THAT REDUCTION FOR FURTHER CONSIDERATION.

6. ECONOMIC AND SOCIAL DEVELOPMENT ASSISTANCE. THE MEMBERS OF THE PRE-IG AGREED THAT THE GOB'S FAILURE TO EXPAND ITS REVENUE BASE AND MOBILIZE DOMESTIC RESOURCES FOR PUBLIC INVESTMENT, PARTICULARLY IN A PERIOD WHEN ECONOMIC RESULTS WERE GOOD, IS A MATTER OF CONTINUING CONCERN. THE PRE-IG RECOMMENDED RE-ENDORSEMENT OF THE POLICY DECISION OF LAST YEAR'S IG THAT WE SHOULD ENCOURAGE, AND REASONABLY EXPECT, THE GOB TO FINANCE AN INCREASING SHARE OF PUBLIC INVESTMENT THROUGH THE CASP TIME PERIOD, AND THAT BOTH WASHINGTON AGENCIES AND THE COUNTRY TEAM, INDIVIDUALLY AND IN COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS, SHOULD CONTINUE TO PRESS THE GOB TO TAKE FORCEFUL ACTION ON TAX REFORM TO RAISE MORE REVENUES, REDUCE VULNERABILITY TO TRADE FLUCTUATIONS AND PROVIDE GREATER INCOME EQUITY.

7. IT WAS RECOMMENDED AND THE PRE-IG CONCURRED THAT THE MISSION SUBMIT, AS A SUPPLEMENT TO THE ABS SUBMISSION, AN EXPANDED DISCUSSION OF THE RATIONALE FOR AND IMPLICATIONS
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OF THE CHOSEN GEOGRAPHIC FOCUS OF USAID/B ACTIVITIES. KISSINGER

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